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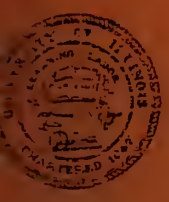
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FACULTY WORKING
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Budget Cutting in Riverside: Emergent
Policy Reframing as a Process of Analytic
Discovery and Conflict Minimization

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Policy Reframing as a Process of Analytic Discovery
and Conflict Minimization

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Abstract

Considerable attention has recently been given to sense making activities in organizations. This paper draws from an extensive longitudinal study to assess the way in which a group of administrators responded to the increasing implausibility of their established frame of reference. The way in which the group responded appears to have been instrumental in minimizing conflict among members of the organization. While conflict has its positive aspects, considerable recent experience with retrenchment indicates that interest group differences can easily become dysfunctional. The model of emergent policy reframing developed in this paper offers one approach to containing such disagreements. The underlying concept is that for organization members to make sense of decline, administrators must simultaneously manage the relinquishment of an old frame of reference and the development of a more plausible set of assumptions.

The purpose of this paper is to describe and analyze the process of budget cutting in the Riverside High School district. First, the facts of the case are described with as little theoretical interpretation as possible. Second, some initial conclusions are drawn from the case and interpreted in light of the theoretical framework of Emergent Policy Reframing (EPR). The attempt at this point is merely to develop a theory of budget cutting in Riverside; no attempt is made in this section to draw larger conclusions for strategic adaptation in general. Third, the findings from this case are extrapolated to other organizations. In particular, we argue that EPR works to encourage the release of an old frame, maximize analysis to build a new frame, and minimize the conflict inherent in the process of change.

DATA COLLECTION AND ANALYSIS

The research reported here is part of a larger study of the way in which school superintendents manage major strategic issues facing their districts. Five to seven issues in each of three districts have been studied for over three years, with particularly intensive data gathering in the 1980-81 school year. The three districts chosen for study are administered by successful and activist superintendents, according to their peers and to faculty members in the State University's College of Education.

The six issues studied in Riverside included:

- a) Referendum - an attempt to pass a bond for a new gymnasium.
- b) All Day for Seniors - an issue involving changing graduation requirements and discontinuing a policy of allowing seniors early dismissal.

- c) Asbestos - the discovery and removal of asbestos in one building.
- d) Voc Ed - the consideration of joining other districts in a regional vocational education center.
- e) Budget Cuts - consideration of budget restrictions in response to declining tax revenues and increasing costs.
- f) Administrative Reorganization - reassignment of roles and titles among the administrative staff, after an unexpected retirement.

In the other two districts, the issues followed included: the disposal of an unneeded junior high building, a district-wide attempt to restate educational philosophy, consideration of replacing a principal, formalization of financial and demographic projections, the implementation of a computer curriculum, and expanding a language instruction program. In each case the issues were identified by asking the superintendent to identify items that (a) were potentially important to the long run functioning of the district, and (b) were currently occupying (or were expected to occupy) a significant amount of administrative time.

We attempted to formally articulate some underlying notions of qualitative research in this project by structuring the data analysis and model building in a fairly rigorous procedure tied to six distinct levels of analysis.

1. Raw Data: Four types of data were collected:

- a. Interviews with superintendents, other administrators, Board of Education members and other participants. Repeated interviews with the superintendents and others involved in each issue were tape-recorded and transcribed verbatim into computer files. During the nine months of intensive study, we attempted to visit each district two times per month. This material forms the core of the data base. Over the course of the study we conducted twenty-seven tape recorded interviews in Riverside, each approximately two hours in length.
- b. Observations at meetings of Boards of Education and various administrative committees. Eight board meetings and fourteen administrative meetings were attended in the three districts. In general, comments on these meetings were recorded directly after the meeting, and transcribed for computerized access, as a supplement to field notes. However, over twenty hours of

administrative meetings on the budget decisions analyzed in this paper were tape recorded (using separate mikes) and transcribed verbatim.

- c. Documents such as agendas, minutes of meetings, speeches, newsletters and news releases. A complete set of the material distributed to Board members and the public was collected during the course of the study, as were the minutes and agendas of administrative staff meetings. This material fills twenty-three 2 inch 3 ring binders. It has been coded for reference to the major issues followed in each district.
- d. Newspaper articles on the local district and other similar public organizations. Local newspaper articles on the study district, neighboring districts, and some other community organizations were summarized on a computerized log.

An important part of the study was the careful structuring and indexing of this raw data. Without it, subsequent analysis and reanalysis would be painfully slow and haphazard; with it we have a better chance of building a systematic procedure into the study. Computerized storage and retrieval allows a strict discipline of searching for and considering all indexed items relevant to a given issue and reduces the likelihood of conveniently ignoring some deviant facts when testing a model against the raw data base.

- 2. Profile for each district: Background information on each district was solicited from the superintendents, local sources and the U.S. Census to ensure our exposure to the broader context of district decision making.
- 3. Life cycle history for each issue: The issue is the primary unit of analysis in the study. A case description of the history of each issue studied was prepared from the verbatim transcripts of interviews, supplemented by other material available in the data bank. We attempted to make these life cycle histories purely descriptive, and to refrain from abstract conceptualization as much as possible.

4. Theoretical analysis for each issue: Each issue then became the subject of analysis at a theoretical level in an attempt to develop a model or theory peculiar to each issue. Whereas the life cycle history attempted to pull together the relevant raw data into a purely descriptive but coherent portrayal, the theoretical analysis attempted to generalize the description to a more abstract level, to build a model for each issue without forcing all issues prematurely into one preconceived conceptual mold. The budget cutting decision described in this paper represents one effort at this level of analysis.
5. A model of issue management for each district: At this level of analysis, the aim is to begin consciously generalizing across issues within a given district. We are still in the process of preparing a theoretical model of issue management for each district.
6. A general model of issue management and domain change: Finally, at the sixth level of analysis, we will attempt to compose the district models developed at level 5 into a general model. While we have not yet published any material at this level of analysis, the generation and renewal of policy "frames", which is addressed in this paper, is beginning to take an important place in our ideas about issue management.

THE CASE DESCRIPTION

Riverside is a blue-collar, factory town of about 10,000 population in the distant suburbs of Chicago. The high school district draws approximately 2,400 students from several neighboring elementary districts. Enrollment has been steady or growing until very recently. However, during the three years of the study, enrollment declined from about 2,600 students to the present level of

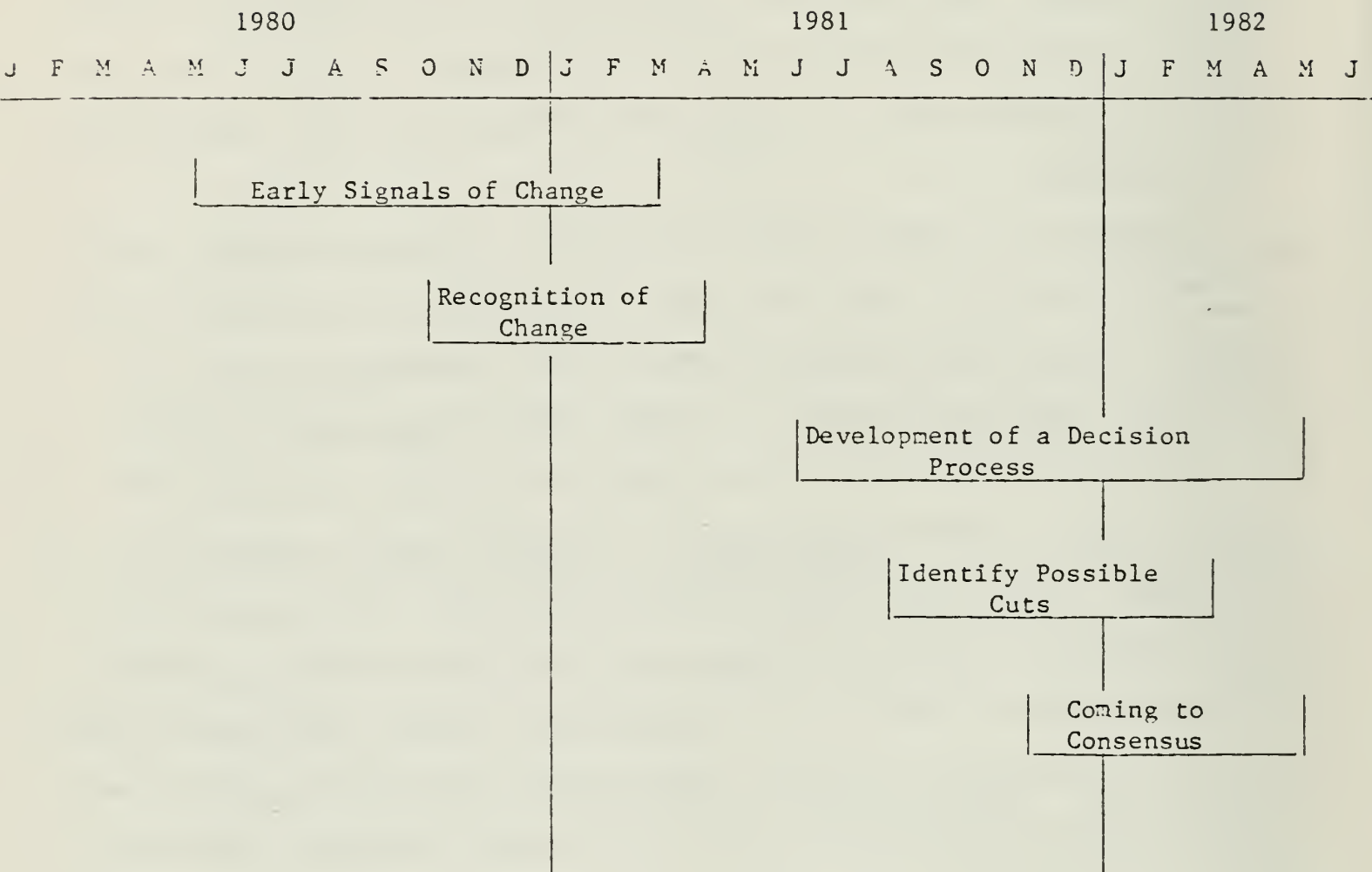
2,400 students. The total budget for the district is approximately \$8 million dollars per year, and approximately 75% of this total is accounted for by the educational budget, with the building and transportation budget accounting for the remainder.

Athletics is a central value in the district. There are not only varsity teams for each of the major sports, but one and sometimes two junior varsity teams. The high school basketball team had been relatively successful in the state basketball tournament. The high school has its own golf course.

The administrative staff of the district in late 1981 consisted of the Superintendent, a Deputy Superintendent, a Business Manager, a Director of Personnel, two principals and two assistant principals. The two principals also carried out district functions, as Assistant Superintendent for Instruction and Assistant Superintendent for Vocational Programs. These seven people, all men, constitute the district's Administrative Council (AC), which has met every Tuesday morning throughout the year since 1971 to discuss a variety of major and minor issues.

The Superintendent, Jim Peterson, had been Superintendent at Riverside for 9 years at the beginning of our study. He came into office after a series of short, unsuccessful superintendent appointments. His immediate successor, for example, survived in office only 1 1/2 years. Peterson is highly visible in local activities and keeps in close touch with various sectors of the community. He is also active in secondary school affairs at the state level. One of Peterson's strengths is an extensive knowledge of financial management. He plays a leading role in developing and executing the financial activities of the district.

Figure 1: Overlapping Phases in the Riverside
Budget Cutting Decision Process



Our description of the budget cutting experience in Riverside spans more than two years, beginning with early signals of the need for budget cutting in March of 1980, and continuing to July 1982. The facts of the case (which are summarized in Appendix B and presented in more detail in a longer paper available from the authors) can be classified into five overlapping phases or processes:

1. Early signals of the need for budget cuts.
2. Gradual recognition of the changed environment.
3. Development of administrative processes for making budget cuts.
4. Identifying possible areas for cutting.
5. Narrowing down the alternatives and gaining closure on the cuts to be made.

The beginning and end of each of these phases is not very well marked, and thus it is a matter of judgment where the beginning and ending points are. Furthermore, the phases overlap in time, in some cases substantially, as illustrated in Figure 1. The entire process could be broken down into

Figure 1 about here

different phases with different beginning and ending points, or perhaps even into a different number of phases. In our later analysis we shall attempt to reclassify the facts of the case and key events into some other type of model.

Early Signals of Change: March 1980 - March 1981

The economic situation at Riverside looked quite good from shortly after Peterson's appointment in the early 1970s until early 1980. In March, 1980, a decision had been made to hire two additional staff members for the 1980-81 school year. Plans had been developed to build a new 4 million dollar field

house funded through a referendum scheduled for late in the month. A budget surplus was expected for the current fiscal year. In June the teachers' contract was settled with a ten percent salary increase. In short, the district's economic picture looked quite rosy. In the 12 months between March 1980 and March 1981, however, a number of key events occurred which caused a reversal of the district's thinking from an expansive into a more conservative mode.

First, the 4 million dollar bond referendum failed in March 1980 by a 2 to 1 margin. The Superintendent ascribed the defeat to use of a poor strategy for promoting the referendum. He had deliberately maintained a low profile with little or no publicity about the referendum prior to the vote in the hope that voters would simply be compliant with the district's desire to build a new athletic facility. However, about a week before the referendum, a member of the community published a letter in the local newspaper criticizing the district's low profile approach and urging defeat of the referendum. The Superintendent listed this event as the primary cause of the defeat when we spoke with him in early April. He vowed to offer the referendum again in the fall with a more aggressive promotion campaign.

As of the middle of September, the Superintendent still planned to ask for another bond referendum early in December 1980 to fund the new field house. He anticipated announcing his plans on October 3. However, by the end of September he changed his mind about the referendum and decided to delay it until sometime in 1981. There were several factors that caused this reversal of judgment. First, a new and higher tax multiplier for the township was announced around the end of September, and it was felt that taxpayers might not be as receptive to a new bond issue. Second, from his informal conversations with local business people, the Superintendent concluded that conditions were no better and possibly

worse than the previous March when the referendum was defeated. The sluggishness of the national economy and its failure to turn around also influenced the decision to delay the referendum.

While the financial condition of the district concerned the Superintendent, however, it was not uppermost in his mind. Our discussion on these issues during the September 17, 1980 interview resulted in four pages of textual transcript. No other financial matters were discussed in the other 62 pages of the interview. The first evidence in our records that the Superintendent had begun to question seriously the financial health of the district occurs on October 16, 1980, when he indicated his decision to pull back from the building bond referendum one or possibly two more years.

The decision to defer the bond issue also brought closure to another issue facing the district. The district had been considering joining a regional vocational education cooperative (VOCED) which would have required the expenditure of approximately \$300,000. The deferral of the bond issues made it impossible to fund this project in the superintendent's mind:

[VOCED] is one [issue] that until recently anyway, I have not had a strong opinion on, because I have not really formed an opinion about the full impact of that decision. And there [are] impacts at several levels. Financially, if you sort out the issues, you may make a decision on each one. Right now, financially, without that bond issue passing, I would say no, [VOCED is] not going to go.

Meanwhile, during the last week of December, 1980, a crucial event occurred in a neighboring city, Bigtown, which had a major influence on the Riverside district for the next year and a half. In a surprise decision, the taxing board of the township to which Bigtown belonged cut Bigtown's tax base by 17%. The decision was in response to requests from industrial corporations for a reduction of their tax assessments. Although the hearings were public, few

organizations had members attending because no major decision was expected, and the reductions in assessment passed unopposed.

The reaction from the Bigtown high school district was swift. It was announced that all athletic programs and other co-curricular programs would be eliminated; 200 of the district's 600 teachers were given notice of termination for the following year. A local citizens group in Bigtown attempted to raise the estimated \$750,000 dollars to save the athletic program but succeeded in raising only 10% of that target.

Then, after a short period of strong public protest, the athletic program was reinstated by the Bigtown administration. Furthermore, 120 of the 200 fired teachers were rehired over the next month or two. These actions undermined the credibility of the Bigtown superintendent and his administrative staff. They were also watched with great interest by Jim Peterson and his administrative staff in Riverside. Bigtown was repeatedly described to us as a powerful example of how not to respond to a financial crisis.

Within the next several months, Riverside began to reconsider its own financial picture. It had become a regular part of the administrative procedure in the district to have a staffing meeting sometime during March of each year. During the March 1981 staffing meeting, it was decided to cut 5 teachers from the staff. About this time the Deputy Superintendent was forecasting an operating deficit of \$600,000 for the next fiscal year. While short term financing had occasionally covered deficits in the past, some more permanent response to the developing situation seemed to be called for.

The decision to terminate 5 teachers was made in one Administrative Council (AC) meeting on March 11, 1981. Nine days later, a local factory in Riverside, accounting for 5% of the district's tax base, made a surprise

announcement that it was closing its operations. This surprise announcement strengthened conviction that the situation in Riverside was changing and ends the phase of early signals that the economic turndown might not be temporary and might require more permanent adjustments.

Recognition of a Changed Environment: October 1980 - April 1981

When the building bond referendum failed in March 1980, the Superintendent, as we have said, rationalized the failure as due to a poor choice of tactics. We have no evidence that the superintendent at that time doubted this explanation. He later ascribed the referendum failure to weakening economic conditions.

There were other indications that new sense was being made retrospectively of events that had occurred early in 1980. In April 1981, the Superintendent was able to look back to the events of 1980 and recognize in some detail the signals of a downturn. To quote him at some length,

It was exactly a year ago right now, we added two staff members. It was because of the new graduation requirements again, and we wanted to make sure we had enough staff members. We'd just gone through a lot of meetings [on the graduation issue] ...and so we were in that mood, I guess....

Then by mid-year, it became obvious that--well, the accounting was already bad at the start of the year. [September 1980] Unemployment was already high, so some signals [were] already coming. The election was in November, which really set the tone for a lot of institutional direction-setting in terms of: 'wait a minute, we're all going to have to watch out,' kind of attitude, to maintain, to keep growing...

My analysis then...is that I think we've got anywhere from two to four years, an attitude of readjustment, conservative, consolidation type thing. And until we go through that, you almost have to be a part of it. You can't ignore it, you can't say...I don't believe in that kind of attitude, we're going to do it on our own. And I don't think in the total setting of things, you can act independently, and go on like the rest of the world does not exist.

It is interesting to note, that in the interviews conducted during the Fall of 1980, the Superintendent was still in a reasonably positive mood and had not concluded that the economy was in a permanent downturn. This shift in thought developed only during the Spring of 1981, as is evidenced by his decision in late 1980 to delay, but not eliminate, the building bond referendum. By the Spring of 1981, the building bond referendum had been shelved indefinitely.

Up until this point the administration had drawn only upon their own interpretation of events. But in March and April of 1981 members of the board, the teaching staff, and the local community were beginning to raise questions about the significance of economic events for the future of the school district. Members of the Board of Education were being quizzed by citizens about the meaning of the situation in neighboring Bigtown, members of the teaching staff were asking about the possibility of cuts in the local district.

Once the closing of the local factory was announced in March of 1981, even the Assistant Superintendent for Vocational Education, who had been pushing hard for VOCED, recognized that a positive decision to join the regional cooperative could not be reached in the current economic mood. It is interesting to note that the Superintendent had picked up information at the local Lions Club meeting in which even local businessmen, who relied on students from the regional vocational center, had doubts whether it made sense to join the cooperative.

At an AC (Administrative Council) meeting early in April 1981 the Superintendent commented that "Timing has gone to hell in terms of financing,"

thus indicating some measure of the worsening situation on the revenue side. Furthermore, discussion took place in the AC meeting about where cuts could be taken in the summer budget. A variety of alternatives were considered including going to four day weeks, cutting out some guidance counselors, and so forth. One of the building principals commented that "Everybody is expecting some cuts." This was further evidence of a shift in thinking toward budgetary contraction and evidence that more people were being drawn into the debate. However, it was not until June 1981 that the Superintendent began to think more systematically about the need for further cuts and about the kind of decision process that might identify those cuts. It is to that process of development that we turn next.

Development of a Decision Process: June 1981 to May 1982

The decision in March 1981 to cut 5 teachers from the staff was made using the well established procedure of an annual staffing meeting. Furthermore, cuts in the summer budget were discussed in the regular Administrative Council meeting early in April. By late April however, Peterson felt that "our biggest problem is now the budget." During the summer of 1981 he began to think more systematically about developing a procedure especially designed to identify further cuts in the short run budget and to do longer run contingency planning for still deeper cuts.

In June Peterson identified the Administrative Council as the primary mechanism for accomplishing these decisions. At that stage he had no dollar figure in mind. However, he did want to keep the decision process within the Administrative Council at this stage. He decided not to involve the members of the Board of Education, but instead inform them of the process of deliberation

and wait to present a recommendation once a decision had been reached. (This decision is quite consistent with the way in which other issues had been handled in the district.)

The Superintendent wanted it to be known among the teaching staff and the Board that budget cutting discussions were underway for the purpose of developing what he called a "mind-set" within the school district, a mind-set directed toward expecting cuts in the budget. His strategy relied on what he called "controlled leaks"; for example in informal conversation with the head of the teachers' union, he indicated that budget discussions were going on and that as many as five to ten more teachers could be cut.

We do not draw a conclusion to this process of design until May 1982, since an important part of the process involved presenting the Board with formal recommendations for staff and other cuts at the March Board meeting and handling Board, teacher and community response.

Identifying Possible Cuts: August 1981 - March 1982

While the overall process was still being designed, the administrative council was in the process of identifying possible cuts. At the August 1981 AC meeting, the Superintendent asked each of the other 6 members of the council to develop a list of areas where cuts could possibly be made, without regard to the feasibility of the cuts or the amount of money that might be saved. He asked them not to communicate to each other in developing their lists of possible areas to cut. What resulted was a list of 181 separate items (included in the longer version of this paper). During two marathon meetings on November 23 and December 15, 1981 these possibilities for budget cutting were thoroughly discussed, and the 181 items were boiled down to 36 categories.

Explicit criteria for choosing among proposed cuts were developed by the superintendent for the November 23, 1981 AC meeting, with student impact and financial impact heading the list of criteria. Also mentioned were Board of Education priorities, impact on the public, implementation considerations, implications for contract negotiations, and administrative concerns. This is the first time during the decision process that decision criteria were explicitly discussed. During this meeting it also became clear that more information was needed about the impact of certain cuts, and individual staff members were assigned to develop that information in each case.

At the end of the December meeting, the Superintendent asked each member of the council to develop two lists: a list of possible cuts totalling \$50,000, without regard to the number of cuts involved, and a list of the five most logical cuts, without regard for the amount saved. In response to the Superintendent's assignment, each of the seven members of the council, including Peterson himself, submitted revised lists for possible cuts. These revised lists contained 19 distinctive suggestions for possible cuts, and these 19 items were distilled further into 15 items at a January AC meeting. Once the fifteen item list had been developed, subsequent AC meetings were held in February and March 1982 as part of the regular staff planning process. In the next section, we will examine in somewhat more detail how this decision process was used to design and shape the ultimate budget cuts.

Coming to Consensus: November 1981 to May 1982

Over the course of the decision, closure developed on both the total amount of cuts to be made and on which specific cuts were to be made, as well as on the means to finance the remaining deficit. In June of 1981 the Superintendent

claimed to have no dollar figure in mind for the total cuts that would need to be made. This was reaffirmed at his meeting with the Administrative Council in August, despite their request for a general indication of the size cuts anticipated. In October 1981 the Superintendent was forecasting a \$400,000 deficit for the fiscal year. Thus the district was faced with the possibility of cutting as much as \$400,000 to cover this deficit, or cutting only part of that amount and financing the remainder with various types of short and long-term borrowing. It was about this time that the Superintendent began to form the opinion that cuts in the range of \$100,000 to \$200,000 would be desirable, with the balance of the deficit to be financed. If there were no overlap among the seven lists identifying \$50,000 worth of cuts, highly unlikely given the long history of joint decision making, the decision process would have provided a maximum of \$350,000 reduction in the deficit.

A consensus on where to make cuts also developed quite slowly. For example, the revised lists of suggested cuts developed for the January 1982 meeting still show surprising diversity. Three indices of similarity of preference among staff members have been computed from the data:

- a. the number of suggested cuts shared in common with
at least one other staff member (for example, two of the
Deputy Superintendent's five proposals are shared, each
with two other staff members, for a score of $2 \div 5 = 0.40$).
- b. same as (a), except that each sharing of a cut with each
other staff member is counted as one. (For example, the
Deputy Superintendent's score would be $(2 + 2) \div 5 = 0.80$).
- c. the average number of items shared with each other staff
member. That is, the number of shared items for each staff

member divided by six, the number of other staff. (For the Deputy Superintendent, this index is $4 \div 6 = 0.67$).

The results of this analysis are shown below in Figure 2:

Figure 2: Three Indices of Similarity of Suggested Cuts from Revised Lists (January 1982 AC Meeting)

Staff Member	No. of Suggested Cuts	Similarity Indices		
		<u>a</u>	<u>b</u>	<u>c</u>
JG (Asst. Prin.)	3	.67	2.00	1.00
MG (Asst. Prin.)	6	.67	1.17	1.17
EH (Dep. Supt.)	5	.40	0.80	.67
JP (Supt.)	5	1.00	2.20	1.83
SN (Prin.)	5	.60	1.20	1.00
JS (Prin.)	6	.83	1.50	1.50
RS (Bus. Mgr.)	3	<u>1.00</u>	<u>2.67</u>	<u>1.33</u>
	Averages	0.74	1.65	1.21

Thus, on the average 74% of the suggested cuts were shared with at least one other staff member. But indices (b) and (c) indicate that each cut proposed by a given staff member was shared by less than two other persons out of a possible six. Not surprisingly, the Superintendent emerges as the most central figure; his five proposals are shared with 1.83 other staff members, on the average. These indices of similarity are moderately low for such a late stage in the decision process (January 1982). After all the group had been discussing budget cuts since March of 1981.

We can also calculate an index of influence for each staff member by comparing the original lists with the revised lists. Suppose that a proposed cut C_0 is on person 1's original list. Suppose that persons 2, 3, and 4 did not have C_0 on their original lists, but added it to their revised lists. Then person 1 would be credited with positively influencing the opinions of 3 others. If this calculation is made for each of the proposals on list 1 and

list 2, an influence index can be calculated for each staff member. See Figure 3.

Figure 3: Influence Indices for Each Staff Member, Derived by Comparing Original and Revised Lists of Proposed Cuts

<u>Staff Member</u>	<u>No. of Instances of Change of Others' Preference</u>
JG (Asst. Prin.)	2
MG (Asst. Prin.)	3
EH (Dep. Supt.)	3
JP (Supt.)	8
JN (Prin.)	2
JS (Prin.)	3
RS (Bus. Mgr.)	6

Again, not surprisingly, the Superintendent headed the list on this index of influence with 8 instances where others added one of the Superintendent's original proposed cuts to their revised lists. The Business Manager's high index may be due in part to the large number of proposals on his original list.

It is also interesting to note which specific proposals lost the most support from the original to the revised lists, presumably as a result of the November 23 and December 15 AC meetings. Cuts in athletics dropped from 6 proposals to 2, and cuts in Board and Administration travel dropped from 4 proposals to 1. From our observation of the district these areas are alleged to be in the core of protected district activities. Driver's Education and Training was a favored cut in five original proposals, but in only one revised proposal. Driver's Ed is clearly not in the preferred core, judging from the discussion we have had; but analysis indicated that savings would be minimal due to the loss of state subsidies were it to be cut. Support for cutting the departmental equipment and supply budget dropped from four original

proposals to only one revised proposal, primarily due to the superintendent's focus on cuts in the educational budget rather than in the building or transportation budget.

The most supported items on the revised lists were (a) to eliminate one Corrective Reading position (six out of seven proposals), (b) to reduce department chairperson release time (three proposals), and (c) to assign deans and guidance counselors to supervision of BIC, the Behavioral Improvement Center (three proposals). Six other proposals received support from two persons, and nine cuts were proposed by only one person. As we have said, this represents a modest, but not overly impressive degree of consensus within the AC. Nevertheless, it laid the groundwork for final decisions at the March 1982 staffing meeting.

The final decisions of where to cut were reached during the AC meetings in February and March 1982. One new teacher was hired in the Business Education Department, and six other teachers either left voluntarily or were terminated. Positions were eliminated in art, remedial reading, foreign language and driver's education. The key factor in eliminating these six positions was detailed analysis of staffing needs relative to student demand. In particular, the Superintendent imposed a minimum class size of 20 students as a criterion for cancelling sections of various courses. The assumption was maintained that teachers would continue to teach five sections of class per day.

Other economies were also realized. Four secretarial positions were reduced from 12 to 10 month contracts. The Math Advisory Program was cancelled. Summer counselor help for students was reduced by eight total weeks. The VIP program for providing vocational information about offerings at the

local junior college was cancelled. The number of students being sent to VOCED on a per student fee basis was reduced from ten students per year to one. Some co-curricular positions (e.g., faculty sponsors for student clubs) were eliminated. And Deans and Guidance Counselors were reassigned to supervision of the Internal Suspension program to compensate for the elimination of five faculty positions.

INITIAL ANALYSIS

The process we have just described has several noteworthy aspects:

1. There was wide sharing of information among the members of the Administrative Council, but members of the teaching staff, Board, and local community were for the most part excluded from the process. The process was an exercise in studied underreaction, in contrast to the overreaction in Bigtown.
2. Once the Superintendent decided that further cuts would be needed, he set about to design an elaborate process that would involve the members of the staff in generating initial lists for possible areas to cut. He did not, with some exceptions, impose his own priorities and perceptions on the group.
3. Preferences and priorities about where to cut were delayed until fairly late in the process until after commonly shared categories and ways to characterize the operation of the school district itself were developed through an elaborate process of social consensus.
4. Once the Superintendent decided in June 1981 that further cuts would be needed, the budget cutting process took an additional nine months. The process was spread out over a relatively long period of time. A great deal of spade work was done in developing possible future cuts, even though only relatively minor cuts were made in the Spring of 1982. However, the district at that time was in an excellent position to make still further cuts should they be required because of the intensive inquiry that they made collectively into the functioning of the district.
5. With minor exceptions, the decision process unfolded almost exactly as the Superintendent intended and hoped that it

would. Although he made use of a familiar and well established decision structure, the Administrative Council, the process itself was novel. As the Business Manager commented during an interview in November 1981 "this is a totally different kind of discussion from the normal budget process. What I think [the Superintendent] is looking to is to general operations of the whole program."

6. While most of the 181 original items did not make it to the 19 distinctive items on the revised lists, the discussion of the full list of 181 items seemed to play an important role of sharing information among the AC members. This discussion helped develop a common view of the situation facing the district. Furthermore, it permitted the Superintendent to form a judgment about how deep the cuts should go and how much of the deficit should be financed instead. Without discussing the lower priority cuts, this judgment could not be made as effectively.
7. With the exception of the foreign language position, none of these cuts touched the basic instructional activities of the district. None of them resulted in mobilization of resistance by those affected. And all of the cuts could be justified by reference to detailed student demand analyses. Most, but not all, of the final cuts were listed among revised lists submitted by staff members in January 1982. However, elimination of the art and foreign language positions were not on the revised lists. Foreign language was not even mentioned on the original list of 181 suggested cuts! It surfaced first, and art resurfaced, only during the student demand analysis in February and March. This is a nice illustration of the possibility that decision alternatives can be generated fairly late in the decision process.
8. It is also interesting to note that some of the cutting alternatives that had the most support in the revised lists submitted in January 1982 did not make it to the final cuts. These included reduction of departmental chairperson's release time, reduction of the number of supervision periods, and reduction of expenditures for athletics. The general conclusion we wish to draw, is that closure toward a decision is not a smooth process whereby an initial set of alternatives is gradually winnowed down to a final choice. Alternatives enter and leave the stream of attention and are reshaped, sometimes in dramatic ways. Some alternatives that appear in early stages to have little support are chosen in the end, and other that seem to have wide early support are excluded.

THEORETICAL ANALYSIS: EMERGENT POLICY REFRAMING

We now turn our attention to developing a theoretical framework or model within which the events in Riverside can be analyzed. The crucial feature of the situation that needs to be built into the model is that the "policy frame" within which the Riverside administration had been acting prior to the budget cuts gradually shifted over the two years of the case study. How the need for that shift was recognized and how it was brought about is the essence of the process that we call EPR, or "emergent policy reframing."

A "policy frame" is a set of values, preferences and assumptions that guide decision making about most important aspects of the district. A policy frame covers very disparate decision areas, such as staffing, maintenance, financing, construction, and curriculum offerings. Values and preferences may be about the relative priorities assigned to athletics, vocational or special education, risk taking, staff travel, and so on. Assumptions may be held about the growth or decline in enrollment, the present and future state of the economy, interest rates on bonded indebtedness, the likelihood of passage of referenda, the course of contractual negotiations, etc. The elements of a policy frame may not be articulated, and if articulated, they may be expressed in vague and ambiguous terms. For the purpose of this discussion, any given policy frame is denoted as F_i , where F_0 is the current policy frame and F_1, F_2, F_3 , etc. denote alternative policy frames.

Each policy frame at a given point in time is more or less plausible, given certain events such as the failure of a referendum, the loss of tax base, the forecast of operating deficits, and so forth. The plausibility of policy frame F_i , at time t , given the set of events $\{e_j\}$, is denoted as $p_t(F_i | \{e_j\})$. Following Rescher (1976) and Mason and Mitroff (1981: 228-240),

we shall treat plausibility as a probability-like measure, ranging from zero to one, of the validity of the preferences and assumptions that constitute a policy frame. For a completely implausible frame, $p(F_i) = 0$; for a maximally plausible frame, $p(F_i) = 1.0$.

The worth of any given decision or contemplated action is evaluated relative to the implicit, and sometimes explicit, preferences and assumptions of a given policy frame. What seems to be a reasonable action in one frame may be unreasonable in another frame. It is also possible that an action is equally reasonable within several frames. Suppose the "reasonableness" of an action a_k , given a policy frame F_i is denoted as $R(a_k | F_i)$, where R ranges over some scale from zero to 100. In the early stages of decision making it may be possible only to classify reasonableness roughly, say, into high, medium, or low categories.

Suppose now that over time events $\{e_k\}$ occur that cause the current policy frame, F_0 , to appear progressively less plausible. Another policy frame, F_1 , begins to seem more plausible. But it is not at all certain whether the changes are temporary or permanent, how big the changes are likely to be, or even what the elements of the new frame, F_1 , are likely to be. In many cases there are no time deadlines which require that major actions be taken, that the current frame be discredited, or that an apparently more plausible frame be publicly described and embraced. Events continue to unfold that bear on what is happening in the district's environment. What is the sensible procedure to follow under such conditions? In particular, what procedures will bring about a shift in policy frames while still minimizing conflict among the various decision makers and among those affected by the decisions?

We argue that the logical procedure to adopt under such conditions of ambiguity and potential conflict is as follows:

1. Make small changes that seem reasonable within both policy frames; avoid decisions and actions that are unreasonable within either frame.
2. Assess the plausibility of both frames by...
 - a. monitoring external events more intensively
 - b. monitoring the effects of the small incremental actions that are taken.
3. Begin to develop an information base that will permit major changes to be made if and when it becomes clear that major changes are required.
4. Send ambiguous signals to the organization that are consistent with both frames in order to maximize flexibility to go either way. Do not immediately discredit the current frame.
5. Attempt privately to re-articulate the current policy frame so that it's plausibility can be assessed more fully; at the same time begin to develop the elements of an alternative plausible policy frame within an inner circle of trusted policy makers.
6. Avoid making irreversible decisions and commitments until deadlines force you to do so; delay action as long as possible so that a maximum of information is available.
7. Begin to create the awareness more broadly among various stakeholders that some change may be necessary.
8. If and when it becomes clear that more permanent changes will be required, develop support for partial solutions that will gradually cumulate into a new strategy.

9. Develop the necessary slack resources that will permit a partial, rather than a total, response to the immediate (but perhaps temporary) changes in the environment.
10. Throughout the process of adaptive response, identify and protect the core activities of the district, and also protect the credibility of the administrative structure.

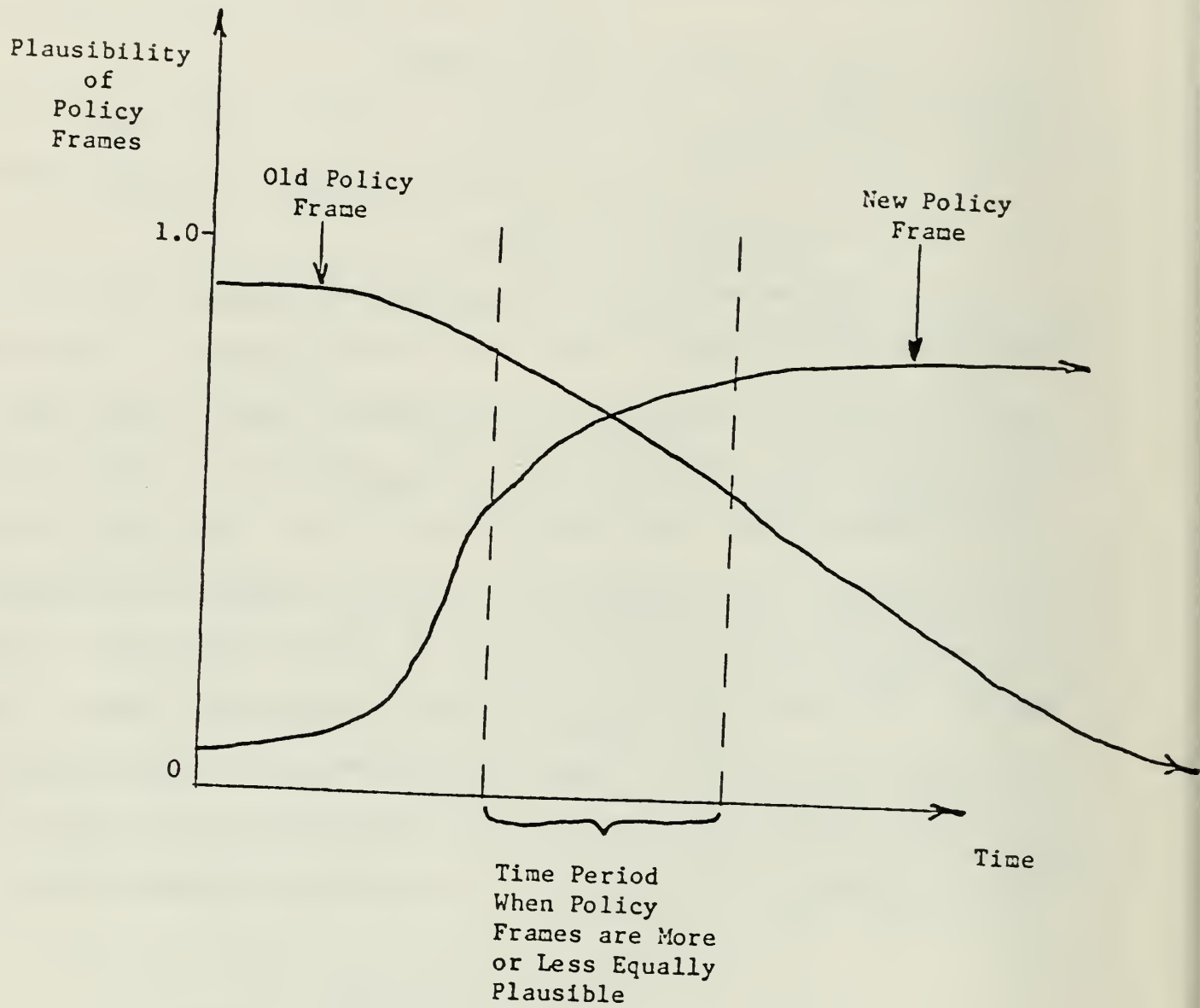
Such activities constitute an adaptive process that we shall call Emergent Policy Reframing, or EPR. The process is "emergent" because it unfolds over time in response to new information. There is not a sharp break with the past. The old frame is not cleanly replaced at a particular point in time with some new, fully developed, policy frame. Nor is the old frame rejected without some new frame to put in place. Broadened awareness and partial solutions gradually coalesce into a new frame of assumptions, values, and beliefs. The district is never without some guiding policy frame. Indeed the new frame develops slowly and gradually replaces the old frame; there is a period of time when two (or perhaps even more) frames are plausible in light of on-going events, as shown in Figure 4. Within EPR decisions are made and

Figure 4 about here

actions taken not only for the purpose of making adaptive short run responses, but also for the purpose of shaping and testing new policy frames. Thus, specific decisions serve a double purpose:

- (a) to adapt the operating system to environmental changes, and
- (b) to allow post hoc analysis upon which can be built a new set of preferences and assumptions about the future of the district.

Figure 4: Shifting from Old to New Policy Frames



EPR is broadly consistent with what Quinn (1980) has termed "logical incrementalism" in his study of corporate strategic change. EPR shares with Quinn's model an emphasis on the incremental character of change and on its logical or rational intent at each stage of the process. More explicitly than logical incrementalism, EPR stresses the need for ambidextrous action, that is action that in the midst of change is reasonable within both the old and the newly emergent policy frames.

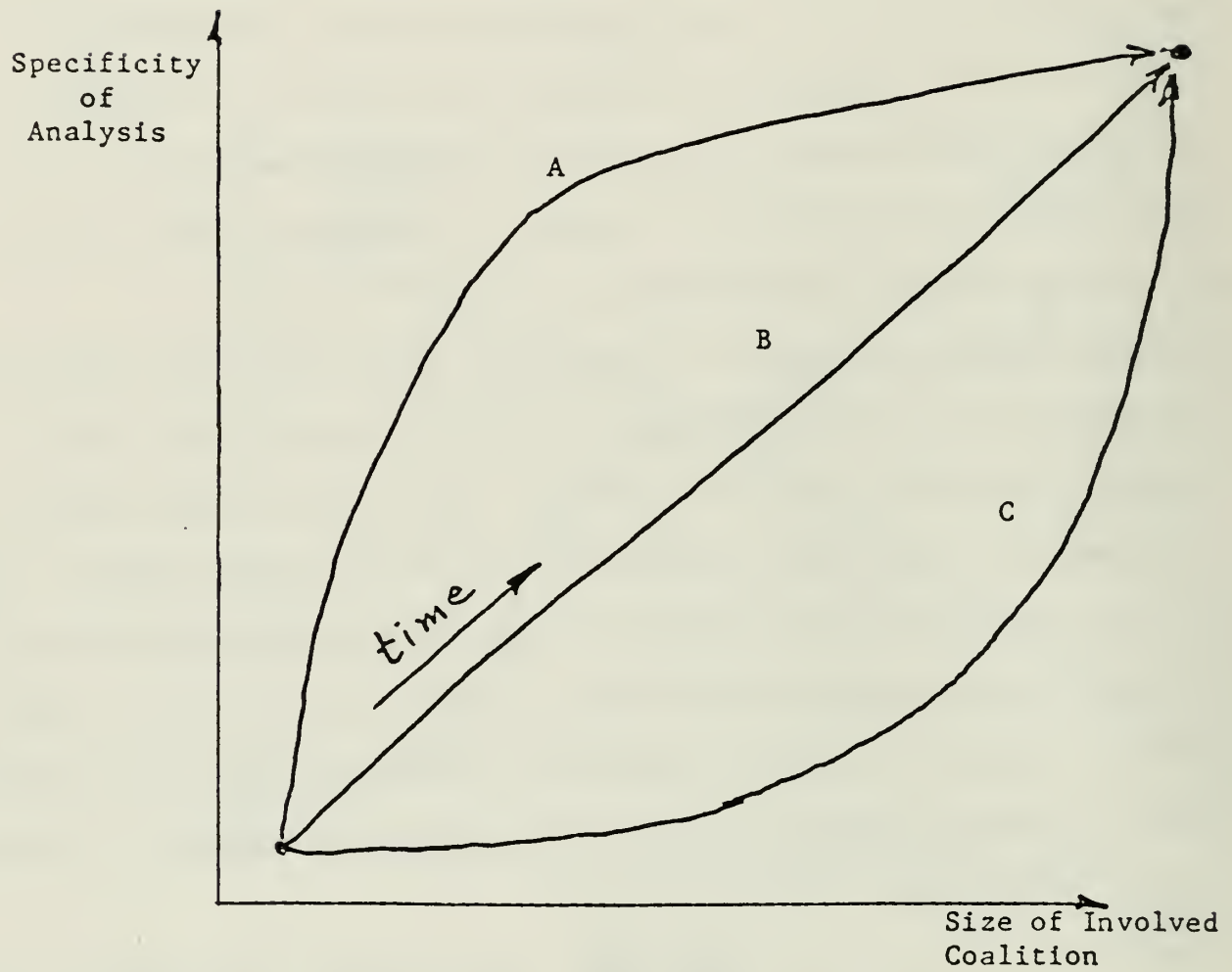
EPR is a model of adaptive response within which the budget cutting process in Riverside can be described. However, before undertaking that task, we need to develop one further aspect of the model. Quinn (1980) argues that two analytically distinguishable processes go on during strategic change. First, there is a formal-analytical process in which the detailed design and evaluation of decision alternatives is carried out. Second, there is a set of power-behavioral processes in which a supporting coalition of organization stakeholders is mobilized behind the new strategy and their commitment to the new strategy is developed.

We observe the possibility that these two processes can proceed at different rates. At one extreme (labeled "A" in Figure 5), the analysis develops faster

Figure 5 about here

than the supporting coalition; the new policy is framed to a high level of detail by an individual or small group and is then exposed with minor revisions to a widening circle. In a school district this involvement might ultimately include the Board of Education, the teaching staff and union hierarchy, parents of students, specific interest groups in the community and eventually the general

Figure 5: Three Temporal Patterns of Emergent Policy Reframing



public. At the other extreme (labeled "C" in Figure 5), the coalition of involved participants is broadened first, and within this broader forum the formal analysis later develops specificity and detail. Pattern "B" in Figure 5 is a middle ground in which formal analysis and the size of the involved coalition develop at roughly the same pace.

Quinn seems to argue that pattern "B" is optimal for effective strategic change. We wish to keep open the possibility that the full range of patterns may be workable, depending on the nature of the decisions involved and perhaps on certain characteristics of the district and its embedding community. Pattern A represents a more centralized approach to change and pattern C a more participative approach.

Emergent Policy Reframing at Riverside

Given this framework, how can we make theoretical sense of the budget process in Riverside?

Up until the fall of 1980, the Riverside High School District was clearly still in an expansive growth mode. Two new teachers had been hired; three separate bond referenda totalling seven million dollars (equal almost to the annual budget of the district) were being planned; a substantial contract for 10% salary increases had been negotiated with the teachers' union; a joint venture with a regional vocational education cooperative was being seriously considered; the district was thought to be in "great financial condition;" and no budget cuts of any kind were being contemplated.

By the summer of 1982, however, ten teachers with an annual salary budget of \$220,000 had been cut from the staff; other cuts totalling about \$80,000

were made in the operating budget; all of the bond referenda had been postponed indefinitely; an operating deficit of \$400,000 to \$600,000 was forecast; salary increases were deferred; the vocational cooperative venture was shelved; a decline in student enrollment was discovered; short-term arrangements to finance the impending deficit were planned; and a general mood of fiscal conservatism replaced the expansive growth mode.

Clearly the district had undergone a major shift in policy frames over the two year span. Budgetary problems had risen in priority from a minor annoyance to the central problem of the district.

During the two years a series of external events gradually eroded the plausibility of the old growth frame and increased the plausibility of the new conservative frame: the failure of the March 1980 referendum; informal advice from the local business community that a fall 1980 referendum would not pass; continuing high interest rates in the bond market; business acquiescence to dropping VOCED; neighboring Bigtown's precipitous cut in its tax base and its equally precipitous, but instructive, overreaction; and the surprise closing of the local manufacturing plant in early 1981.

Still, the Superintendent regarded the slowdown to be temporary, of two to four year's duration, and he refused to accept the deficits as permanent structural changes in the district's finances. In his own words, his use of short-term refinancing of the debt was based on a "gamble" that the economy and the fortunes of the district would rebound.

Given this ambiguity the actions taken can be seen to be reasonable within both views of the world. The cuts made early in 1982 amounted to less than 50% of the forecasted deficit. And those teachers' positions that were cut tended

to be in areas, such as driver's education, art, and the remedial reading program, that were peripheral to the values of the district.

Emergent Policy Reframing (EPR) provides an accurate description of Riverside's budget cutting process in several important respects:

1. Ambivalent actions: Unlike the precipitous reaction in neighboring Bigtown, Riverside's response to its financial problems avoided an immediate discrediting of the old policy frame. Relatively small cuts were made so that simultaneously doubts about the plausibility of the old frame were sown and a newly emerging policy frame was made more plausible. During the period of policy ambivalence, bond referenda were delayed, but not cancelled.

2. Delayed commitments: Even though Peterson realized that further cuts would be necessary as early as June 1981, decisions were not finally made until March 1982, just prior to the April 1st deadline for termination notices imposed by the union contract. By delaying the decision, time was made available to gather detailed, and previously unavailable, information about the internal operations of the district. Equally and perhaps more important, possible changes in the condition of the local economy and the state of the bond market were permitted to develop. There was no rush to judgment that could be invalidated by subsequent events. This delay was conscious and deliberate on the part of the Superintendent. It was in no sense the result of inadvertent procrastination.

3. Development of an information base: Because of the possibility of continued future cuts, Peterson cast his information net widely. AC members were encouraged to be "as wild and imaginative" as they could be in their initial proposals. Although the final decisions in March 1982 were limited

and focused to a few areas, the entire evaluation process created a comprehensive and shared data base within the AC about internal operations that did not exist prior to the process of deciding where to cut. It also helped to create a shared set of values and preferences. In this sense, the process also helped to articulate a new policy frame for the district, at least within the AC, one that was grounded in a more complete factual understanding of what was possible and what was important. Given this improved information base, the district was in an excellent position to make further cuts in the future, if necessary.

4. Creation of awareness: Although detailed discussions took place only within the AC, the Superintendent used "controlled leaks" to develop gradually an awareness elsewhere in the district of the existence of budget discussions and of the general magnitude and shape of the cuts. When the cuts were finally announced, there were few surprises among the major stakeholders. In fact, even the superintendent was surprised at the level of acceptance and support which followed the cuts.

5. Signals and symbolic actions: As a new policy frame gained ascendancy the district made cuts partially to save money but also to create expectations of further cuts among the teachers and the Board. For example, the Superintendent argued that the dollar amount of the cuts was less important to him than creating the right "psychology." Consider the following conversation held in May 1982:

Superintendent: Remember I never defined any [dollar] goal. It wasn't get \$500,000 out of the budget or get a set amount. It was very purposeful because we were going through an exercise as much as we were going through a specific goal kind of thing. [We were] setting up a whole posture, a whole psychology amongst the teachers, that we're looking at everything, a psychology with the

union that negotiations are going to be tough because of all the budget constraints. And we're even having to do some things that we don't want to do with the Board--'Yes, we're spending your money carefully'.... I can't even tell you [how much money the suggested cuts] represent. What it does represent is some visible things that people can say are going to be different next year than they were last year.

Investigator: You don't have the total?

S: I do not know how much those add up to. I don't even care.

I: Not even a rough estimation?

S: I don't even care.

Thus, the dollar amount of the cuts was less important to the Superintendent than their symbolic content.

6. Development of slack resources: Through a variety of short term financing, a partial solution to managing the deficit was made possible. High interest rates in the bond market and a low likelihood of successful referenda prevented long term solutions to the financial shortfall. But short term refinancing, although carrying some risk, made resources available so that less than 50% of the expected deficit had to be managed through cuts in expenditures.

7. Retrospective interpretation of events: At the time certain key events occurred (e.g., the failure of the March 1980 referendum, and the financial status of the district in July 1980), they were frequently either ignored or interpreted as anomalies. An important part of the subsequent decision process was to reinterpret those events and to use those reinterpretations as rationales for later decisions. This includes a re-examination of the impact of past decisions. For example, one part of the budgeting deliberations during early 1982 was a review and evaluation of the

cuts made in March 1981, including an analysis of the magnitude of the realized savings.

8. Monitoring of external events: Through a variety of informal contacts with local business people in community organizations and with other educators, Peterson continued to monitor the mood of the district and region--its receptivity to referenda and its acceptance of cuts in various parts of the educational budget.

9. Loose coupling of criteria to decisions: Although criteria for making cuts were spelled out at the November 1981 AC meeting no explicit weights were ever attached to the criteria. Nor were the criteria ever systematically employed in arriving at the final cuts. Indeed they were barely discussed or debated. The criteria did, however, serve as a checklist for evaluating possible cuts. For example, some cuts were eliminated from consideration because they had no immediate financial impact on the next year's expenditures. But there was no evidence that every suggested cut was measured systematically against every criterion.

10. Detailed analysis: The foregoing does not mean that careful detailed analysis was not carried out in certain instances, but the analysis was localized. For example, because of teacher seniority, eliminating certain positions (e.g., Driver's Education) did not mean that the salary of the person filling that position would necessarily be saved. First, that person could "bump" a more junior staff member in another area (e.g., science) and take over that position so that only the more junior staff member's salary would be cut. Second, state subsidies for Driver's Education would be lost with the elimination of that position, so that the net savings would be something less than the junior person's salary. Detailed analyses of this

type occupied a substantial percentage of the long AC meetings held in January and February 1982. The nature of such analysis was local and incremental, not comprehensive applied to all alternatives. But it would be fundamentally in error to say that decisions were intuitive or purely political in nature; careful financial analysis was most definitely an integral part of the latter stages of the budget cutting process. The reasonableness of possible actions was given close attention.

11. Analysis posterior to commitment: In some cases, the firm commitment to make certain cuts was made prior to a full analysis of the impact of the cuts. For example, the firm decision was made to reduce several secretarial positions from 12 month to 10 month contracts. Only after that commitment was made did the AC begin to grapple with issues such as whether vacation time, personal leave, sick leave, health and life insurance and other fringe-benefits would be reduced proportionately. Reversing the commitment never arose as an issue. But the decision had been made without a complete definition of what the alternative truly was. That definition remained as a post-choice activity. This represents a powerful illustration of the assertion that "intelligence" and "design" activities may follow rather than precede choice activity.

CONCLUSION--EPR AS A GENERAL THEORY OF STRATEGIC CHANGE

We believe that the process of emergent policy reframing provides a broadly general description of strategic change in organizations. Although key events may cause a radical "jump" in the decay of an old frame or the plausibility of its successor, the general notion that both frames must co-exist for a period of time is important.

In the first place, too little attention has been given to the "death" of the assumptions and values which new events make implausible. Tannenbaum (1976) suggests that relinquishing past ways of doing things in an organization can mirror the stages of coping with death itself. Individuals need a period of time in which to register shock, denial, grief and mourning. The acceptance of new ideas depends upon this process of relinquishing the past. EPR undercovers how organizations can work to encourage the death of no longer appropriate frames of understanding.

At the same time, a new policy frame also needs a period of development. The first events challenging the old frame are too sparse and confusing to exhibit a pattern. More than one alternative frame is likely to be plausible. Experimentation and analysis is almost always necessary before one of these frames seems more sensible than the others.

The process of discovering a new frame also must take place at several levels. The chief executive of the organization is most often the key spokesperson for an organization's policy frame. His or her individual realization of a new frame is fed by and must feed the development of framing ideas among other organization members, especially other key executives. Finally, a broader group of outsiders, starting with the Board of Directors and extending to the financial community, customers and others, must also be involved. This process takes time.

Kuhn's (19XX) description of the passage from normal to "extraordinary" science in anticipation of the shift to a new paradigm may provide the best analogue for the process we are trying to describe. The time period when two or more policy frames are more or less equally plausible is the organizational equivalent of extraordinary science.

As in science, conflict is especially likely during the period when one frame is not clearly dominant. Further, when the issue at stake is budget allocation, conflict is even more likely (Gerwin, 1969). The Riverside case is especially interesting because so little of this conflict was evident. Many different aspects of the EPR process gave the superintendent, staff, Board, teachers and community, time to become more familiar with, and less threatened by, a changing environment. At the same time several aspects of the general process helped the administrative staff and other stakeholder's depersonalize the impact of a new frame on their more parochial interests. The Superintendent's emphasis on developing a process for budget cutting, while delaying for almost six months any discussion of the content of cuts to be made appears to have been especially important for defusing potential conflict. The broader environment also helped make clear the necessity of cuts (as the Superintendent said, "the teachers see people without jobs on TV every night") and provided a negative example in Bigtown.

Nevertheless, our analysis shows that considerable disagreement existed on the specific cuts which should be made, once the discussion actually got to specifics. The AC members represented the variety of interests in the district, and some of these interests fared better than others in the budget cutting process. The absence of conflict despite their differences is in part due to an organization culture which stressed collaboration and consensus. It is also due, we believe, to the strong approval of the budget cutting process. This approval indicates a new policy frame in its ascendancy. As the new frame and the budget cutting mechanism became accepted, AC members, teacher and others were willing to accept the several unanticipated cuts that emerged at the end of the long series of meetings. They also appeared willing to accept the AC meeting as an arena

within which future disagreements over specific cuts could be addressed. It is this commonality, we believe, that accounts for the relative lack of conflict at Riverside.

While other patterns of participation may be more appropriate in other settings, the general process of emergent policy reframing furthers understanding how to keep potentially divisive issues, such as budget cuts, from overwhelming an organization. Budget cuts are potentially frame breaking activities. The organization must therefore attend to the frame setting implications of budget cutting, before specific cuts are likely to make sense to, and be accepted by, organization members.

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APPENDIX B: Chronology of Key Events

1980

- March: - 2 new staff hired
 - \$4,000,000 building bond referendum fails by 2 to 1 margin
- July: - new teacher contract negotiated; 10% salary increase
 - "great financial position"
- August: - asbestos problem discovered
- September: - bond referendum rescheduled for December; two other bond referenda being considered; also tax anticipation warrants
- October: - referendum deferred until next year
 - graduate realization of potential cash flow problems
 - Superintendent cools on VOCED project
- December: - 17% cut in tax base in Bigtown
 - Superintendent plans cash flow analysis
 - further deferral of building bond referendum until February 1982

1981

- January: - consideration of "back door" referendum for life-safety bonds to finance asbestos removal
 - VOCED discussed at Board study session
- February: - Deputy Superintendent forecasts \$600,000 deficit
- March: - 5 teachers cut from staff
 - local plant in Riverside makes surprise announcement of plant closing (5% of tax base)
 - "no go" decision on VOCED
- April: - building bond referendum deferred indefinitely
 - AC discussion of possible cuts in summer budget
 - Superintendent looks back to reinterpret economic downturn of last year, and concludes the budget is now "biggest problem"

1981 (continued)

- June:
- new higher tax multiplier announced
 - Superintendent begins to think of how to arrive at more cuts
 - "controlled leaks" about budget cuts to teachers' union head
- August:
- Superintendent asks staff to generate original proposals for budget cuts; no dollar figure in mind
- Sept.-Oct.:
- staff begin to work on budget cut proposals
 - Superintendent now forecasting \$400,000 deficit
- November:
- 181 items for possible cuts condensed into 36 categories
 - Superintendent asks staff for revised lists of cuts
- December:
- AC meeting to conclude discussion of 36 categories
 - Superintendent reminds staff to compile \$50,000 of proposed cuts

1982

- January:
- Revised proposals discussed at AC meeting and condensed into 15 items
 - Superintendent now talking about \$100,000-200,000 in cuts
- Feb.-March:
- Subject-by-subject discussion of possible cuts as part of regular staff planning process; results in cutting 5 teaching positions (\$110,000), plus approximately \$80,000 worth of other cuts
- May:
- Interest rates continue to be high in bond market
 - Superintendent considering use of advance refunding bonds to finance remaining deficit

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